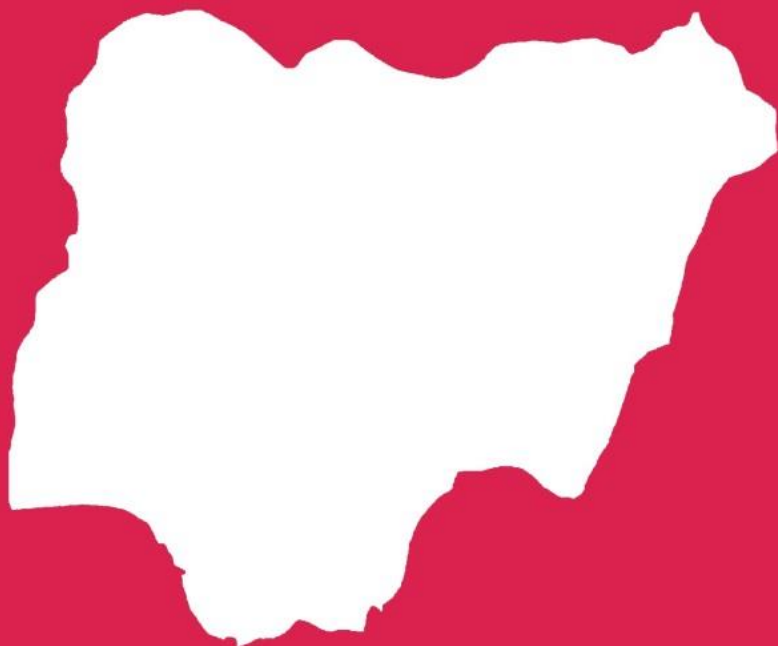


CHAPTER NINE (9)

GSP

GENERAL STUDIES PROGRAMME NIGERIAN GOVERNMENT & ECONOMIC



CONTEMPORARY STATE OF THE NIGERIAN ECONOMY

The Nigerian Agricultural Sector
The Nigerian Industrial Sector
The Mining and Crude Oil Sector
Manpower Development in Nigeria

GSP2203

NIGERIAN GOVERNMENT AND ECONOMY

CHAPTER 9

CONTEMPORARY STATE OF THE NIGERIAN ECONOMY

9.1 INTRODUCTION

This chapter focuses the contemporary state of the Nigerian economy by examining the import sectors of that economy. In doing this, it has been found necessary to link the present with the past, because the past begets the present. The sectors examined are: agriculture, industry and mining with special reference to petroleum and human resources in form of manpower development. This chapter should be seen as an extension of Chapter 7 on Economic Development Planning because the plans beget the contemporary status of the Nigerian Economy.

9.2 THE NIGERIAN AGRICULTURAL SECTOR

9.2.1 Status of the Sector

The agricultural sector in Nigeria consists of many activities such as farming - which includes livestock rearing fishing, and forestry. The coming of colonialists introduced a money economy among the peasant communities in Nigeria. This provided the incentives to produce cash crops for sale and export to Western Europe. According to Helleiner (1966), **agricultural export production accounted for about of Nigeria's Gross**

Domestic Product (GDP) in 1929. Indeed, throughout the colonial period, the economy of Nigeria relied mainly on agriculture. The reliance of the economy on year led to the establishment of the commodity Marketing Boards saddles with the responsibility of buying crops from farmers and selling them abroad. The role of the Marketing Boards was very important especially in stabilizing farm incomes and in generating funds for the execution of development projects in the country (Anyanwu et al, 1997).

9.2.2 THE ROLE OF AGRICULTURE IN THE NIGERIA ECONOMIC DEVELOPMENT

Following Raymolds (1975) arguments, it is agreed that agricultural development can assist economic development through:

- a)** Increasing the supply of food for domestic consumption, therefore boosting labour supply to other sectors such as industry;
- b)** Enlarging the size of the domestic market for the manufacturing sector;
- c)** Increasing the supply of domestic savings; and
- d)** Providing foreign exchange earned by agricultural; exports.

Also Johnson (1970) writes that the role of agriculture in a national economy can be assessed, using four primary criteria:

- i)** The proportion of the population engaged in agriculture;
- ii)** The share of agriculture in the Gross Domestic Product

- iii) The proportion of the nation's resources (other than labour) devoted to or employed in agricultural production, and
- iv) The contribution of the agricultural sector to foreign exchange.

Today, the indispensable role of agriculture in the Nigerian economy is based on the first criterion. Agriculture still engages most of the peasants that constitute over **60%** of the nation's population, and about **70%** of the work force. However, this will fail, using other criteria. In most cases, the importance of agriculture to a national economy is measured in terms of its contribution to the country's foreign earnings. In Nigeria this contribution has been dwindling over the years. For example in **1960** its contribution in relative terms was **83.2%**, accounting for about **70%** of total export in that year, while **1995** it was only **1.8%**. The major reason for the decline is the discovery of crude oil that led to the neglect of agriculture. Another major reason is the decline in the world demand of primary products, which constitute the bulk of the country's agricultural exports. Due to this negative development in the agricultural sector, several attempts were made to revive the sector as set out below:

a) *The establishment of River Basic Development Authorities:* This was conceived in **1963** with the involvement of the **Lake Chad Basin** and **River Niger Commission** for countries bordering the **Lake** and **Niger River**. It was first tried in **1973** with the establishment of the **Sokoto-Rima** and the **Chad Basin Development Authority**. A **military decree** in **1976** finally

divided the country into eleven **River Basin Development Authorities (RBDAs)**. According to Olofin (1985) the terms of reference include, among others:

- i)* The development of ground water resources for multi-purpose uses;
- ii)* The construction and maintenance of dams, dykes, wells, boreholes, and irrigation drainage systems.
- iii)* The development of irrigation schemes for the production of crops and livestock, etc.

Some manipulations were made in 1985 under the **General Babangida's regime** to increase the number of the **basins** and add **rural development** to their terms of reference. However, this move was later abandoned and the eleven-basin structure was re-established.

b) Introduction of Operation Feed the Nation (OFN): Launched by the **Obasanjo** regime in **1976**, the main objectives of the scheme were to increase food production and encourage self-sufficiency in food supply. Under the scheme various incentives were given that includes-technical advice and the supply of essential farm inputs such as improved seeds, fertilizer, pesticides, farm implements among others.

c) Introduction of the Green Revolution Programme: Launched in **1980** by the **Alhaji Shehu Shagari's** administration, the focal points of the programme were also self-sufficiency in food production and diversification of the economy to earn more

foreign exchange. The scheme introduced new input procuring and distribution system. The development of infrastructure was embarked upon by the regime via the state coordinating committees.

d) The National Accelerated Food Production Project: The main target of this project was to achieve satisfactory increase in production within the shortest time period possible. The programme was based on the principles of the green revolution experiences in other countries. Six major crops were targeted namely; *maize, millet, rice, sorghum, wheat and cassava*. The project has three components: research, extension and agro-services. Emphasis was also placed on irrigation. The programme had a number of subsets, for example, the **Accelerated Wheat Production Programme** introduced in **1988**, and the **State Agricultural Development Programme (ADPs)**. Supporting institutions include **Directorate of Food, Road and Rural Infrastructure (DIFFRI)**, the **Agricultural Development Bank, the People's Bank**, and the like.

Most of the introduced programmes were short-lived due to problem such as land acquisition, frauds, inadequate data, lack of infrastructure among other.

9.3 THE NIGERIAN INDUSTRIAL SECTOR

9.3.1 Industrial Contribution

Basically there are three types of industries, namely: *handicraft, processing and manufacturing*. **Mining**, often seen as another form of industry, is an extractive activity and a very important

sector of the Nigerian economy. Our focal points in this section its manufacturing. This involves the conversion of raw materials into finished goods or intermediate or producer goods. Like any other industrial activity, it assists in the economic diversification, increasing foreign exchange earnings and creating employment. The share of the manufacturing sector to the **Nigeria's GDP** in **1960** was only **4.8%**, but it increase to **7.2** in **1970**. It however declined to **5.6%** in **1975**. By **1995**, it was **6.88%** which was below its **1970** level. This decline was attributed to a number of factors, named:

- i.** The high cost of foreign exchange for manufacturers;
- ii.** Poor effective domestic demand for local goods;
- iii.** Poor power supply from NEPA over the years;
- iv.** Insufficient raw material supply, especially from within, and
- v.** Insufficient working capital, partly due to the financial institutions stringent conditions on lending.

These factors resulted in most of the industries operating grossly below installed capacity - some as low as 20% of the installed capacity.

9.3.2 Strategies for Industrialization in Nigeria

There is no single way through which a country can get industrialized. In Nigeria some of the following strategies were adopted:

- i.** Import Substitution Strategy of Industrialization (ISI)
- ii.** Export Oriented Strategy of Industrialization (EOI)
- iii.** Local resource-based Strategy

These strategies are explained below:

i). *Import Substitution Strategy of Industrialization (ISI)*: This is an industrial strategy meant to produce the kind of output formally imported. The country imports or produces the raw materials and produces the output at home. It has the advantage of allowing citizens to have mastery over foreign technology. It is also expected to boost employment within the economy. The local industries are highly protected from foreign competition so that they can survive. Protection is done through the use of tariff and exchange rate measures.

ii). *Export Oriented Strategy of Industrialization (EOI)*: This is an industrial strategy involving production to promote exports. Government attempted to encourage this through the establishment of the **Nigerian Export Promotion Council (NEPC)**, **Nigeria Export-Import Bank (NEXIM BANK)**, **Nigeria Export Processing Zone (NEPZ)**, among others.

iii). *Local resource-based Strategy*: This was embarked on as a result of the dwindling oil revenue obtained by Nigeria, which led to the scarcity of foreign exchange. The strategy is to encourage industries to source their raw materials and other components parts locally.

9.4 THE MINING AND CRUDE OIL SECTOR

9.4.1 Solid Minerals

Our country is richly endowed with solid mineral resources such as *tin, wolfram, limestone, columbine, coal, gold, zinc, marble, graphite, iron-ore, gypsum*, to mention some. In the last count,

NIMOMAP (1997) identified not less than **450** economically viable solid minerals in the country. The contribution of this sector to the national economy started during the colonial period for the seventy years. Its contribution to **GDP, up to 1971**, stood at **33.13%** but dropped down to **12.74%** in **1995**. It is expected that contribution of solid minerals will rise again as there is a definite effort to diversity the mineral base of the Nigerian economy. To this, end, there is now a Federal Ministry of Solid Minerals charged with the development of the sector.

At this, juncture, it appropriate to comment on a few of the principal solid minerals of Nigeria, particularly in a historical context.

(a) Limestone - Limestone occurs widely in Nigeria. Apart from the extraction of tin and coal, it is one of the oldest solid minerals to exploit in the country. It has the unique position of being the first to support the manufacturing industry in the country, namely: the cement industry. It has been the major solid mineral produced over the years accounting for over **90%** of total output. The highest level of production was achieved in **1980** and **1987** with a production index of **143.2** and **142.3** respectively.

(b) Coal - Coal occurs in a belt that stretches from the Eastern Scarp land across the **Niger valley** to **Kogi** and **Kwara States**. It is one of the two oldest solid minerals to be exploited in Nigeria. It occupies the second position in mineral production in Nigeria during the colonial period. Its major importance is that it serves as a source of energy in the country, although its share of energy

consumption is very small. The level of its production has been falling over the years. Indeed, its export stopped in the **1970s**, but was revived in **1997**.

(c) *Cassiterite (Tin ore)* - The ore of tin is associated with cassiterite, which is found in the younger granites of the Jos Plateau and the surrounding areas. Tin is also associated with pegmatite, as it is the case near **Nassarawa State**. It is perhaps the oldest exploited solid mineral in the country that is still popular today. It accounted for **12.4%** of total mineral production in the country in **1995**. One of the problems facing its production is lack of market as most of the output is exported. Excess supply led to a negative effect on its world price and this in affected the level of production. The big companies, like the **Amalgamated Tin Mining Company of Nigeria (ATMN)** are actually folding up. Tin is smelted in Jos as tin plates for export.

(d) *Marble* - of the minerals produced in Nigeria, marble has experienced about the highest average production rate over the years. In **1995**, its output increased by more than **30%** to **22,460** tones. Among the companies in marble are: the **Nigerian Marble Mining Company**, the **Igbetti** and the **Jakura Marble Plants, Lokoja**, which are the major producers of marble all over the country.

There are many other solid minerals currently gaining prominence. Among these is *gypsum*, which is used with limestone to produce cement. Another is *kaolin*, which is found in weathered Old Granites, particularly on Jos Plateau. Here, it is

associated with abandoned tin-mined pits. It is used in cosmetics, ceramics and the like.

9.4.2 Petroleum (Crude Oil and Nature Gas)

Crude oil occurs with *natural gas*. It was discovered in Nigeria in **1956** towards the end of the colonial period. The discovery was at **Olibiri** in the **Nigeria Dental**, where the **first oil well** was also drilled. The first export of some barrels was made from the well in **1958**. Thus, during the colonial period, it contributed little or nothing to the **GDP**, or export of the country. However, after independence, its contribution increased steadily until the period of **Civil War** between **1967** and **1969**. During this period, its production was adversely affected. Production picked up again soon after the **Civil War** and reached its climax in **1973**, because of the **Arab-Israeli War** when the **Suez Canal** was closed to traffic. This turned the world attention to the **Bonny Crude of Nigeria**, which became a strategic substitute. Exploration and production were stepped up, and the crude oil prices went up, hitting the roof at over **\$40** per barrel. Crude oil, thus, became the main, almost the only prop of the Nigerian economy, accounting for over **80%** of the **GDP** and over **95%** of the export by value. The crude oil success was such that Head of the military government declared in **1974** finding money was not be problem of the country. The problem, according to him, was how to spend it. Although he meant this in a positive sense, history has proven that he was correct in another sense because the money was spent

foolishly, giving birth to the contemporary crises in the Nigerian economy.

During the period of the oil boom, however, the other sectors of the economy were neglected. Indeed, the natural gas that occurred with the oil was ignored and flared off at many oil wells, leading to environmental pollution. It was not long before the boom gave way to a period of oil doom. The hostilities in the Middle East eased, and the **Suez Canal** was once available to traffic. Also, the oil producers in the Middle East stepped up production in order to catch up with lost time. The demand for the Bonny Crude declined as an oil glut occurred in the market. The result was a drastic fall in crude oil prices and decline in the Nigerian production at a price as low as **\$8** per barrel. The world price of oil increased very slowly after this and did not come up to a scratch until the **Kuwait-Iraqi War of 1991**. After this war, prices declined again, falling as low as **\$9** per barrel in the later parts of **1998-cum-early 1999**. Toward the end of **1999**, prices started to rise again, reaching over \$30 per barrel in the first quarter of **2000**. In spite of concerted efforts to bring the price down by the **Organization of Petroleum Exporting Countries (OPEC)** actively encouraged by the industrialized countries, the price refused to fall to the level desired by the industrial countries. It is not easy to explain this increase in price. It would seem that the weather had a hand in it. It makes demand for petroleum product as a means of heating and cooling unavoidable.

Ironically, the up and down in the global petroleum industry and pricing have not affected its proportional contribution to the Nigerian **GDP** and foreign exchange earnings. However, the ups and downs have affected the economy as a whole, shifting the base between buoyancy and depression. A graphical way of stating this is that “**when the petroleum industry sneezes, the Nigerian economy catches cold**”.

As for the natural gas, it has not come to its own yet. It is known, however, that Nigeria has more natural gas reserves than those of the crude oil. Of course, the natural gas had been earlier used to generate thermal electricity (such as **Afam** and **Egbin**), the step positive step in the exploitation of the Nigerian natural gas in the **1999** completion of the **Natural Gas Project**, the first export from which was made on **October 1, 1999** (News). It is hoped that more would be done in future to realize the full potentialities of the commodity.

9.5 MANPOWER DEVELOPMENT IN NIGERIA

It was argued time without number that human resources are the climax for the wealth of nations because human beings make resources productive. Indeed, natural resources are all passive factors of production, while human resources constitute the only active factor that can lead to the formation of capital, or exploit natural resources for national development. A poorly developed manpower cannot set a modern economy rolling. Therefore, manpower refers to the totality of the energies, skills, knowledge and experience available in a given economy. It is also the

managerial, scientific, engineering, technical and other skills, which are employed in creating designing and developing enterprises and economic institutions.

The concept of manpower development refers to a deliberate process of determining the policies and programmes that will develop, distribute and utilize human resources with the view to attaining a nation's broader goal of socio-economic development. In Nigeria, a conscious effort to address the issue of manpower development dates back to **1959** when the Federal Government set up a panel to look into the nation's manpower need in the field of post-secondary and higher education over the following decades. The report of the commission is popularly called the **Ashby Report**.

As should be expected, the report laid emphasis on an appropriate education for economic development, and the need to fund a functional education. This is so because human resource planning requires accurate data base on demography, education and the labour market mechanisms (Anyanwu, et al, 1997). Demography naturally required basic indicator like the population size, age and sex structure. Some important strutures that came out of the Ashby Report are the **National University Commission (NUC)**. **The National Manpower Board (NMB)** and the **Regional (state) Manpower Committees**.

It must be this conscious effort to develop the manpower of the country that has propelled Nigeria to become one of the best countries in Africa with a satisfactory level of manpower in

certain areas. This is true, in spite of the recent deterioration of the education system, and the near collapse of the system. It is believed that with a conducive and enabling environment, Nigeria has the right caliber of manpower at home, and more so abroad, that can turn the economy round. Indeed, Nigeria's manpower situation and the overall human resources are part of the favourable indices of the prospect for the future of the Nigerian economy.